



For Members

Montana Public Employee Retirement Administration

Spring 2001



## 2001 Retirement Legislation

The 2001 Legislature passed several retirement-related bills which have been signed into law by Governor Martz. These bills and their effect on the retirement systems administered by the MPERA are summarized in this issue of *Directions*. Some of the legislation affects all or several systems while other legislation specifically addresses only one system. Look for the articles which are for “all systems” or those with the acronym for your retirement system. Following is a list of the eight retirement systems administered by the MPERA:

- Public Employees' (PERS)
  - Highway Patrol Officers' (HPORS)
  - Game Wardens' and Peace Officers' (GWPORS)
  - Firefighters' Unified (FURS)
  - Judges' (JRS)
  - Sheriffs' (SRS)
  - Municipal Police Officers' (MPORS)
  - Volunteer Firefighters' Compensation Act (VFCA)
- (See the information below for the VFCA.)

### More information to follow for . . . VFCA

This is the only article specifically for the VFCA members in this newsletter. House Bill 515 and 523 make provision for a retired volunteer firefighter under the VFCA to return to active service under certain circumstances, and increase the benefit payable to a retired volunteer firefighter, respectively.

This newsletter does not reach most VFCA members. A flyer designed to provide detailed information regarding this legislation and other pertinent information for the VFCA members will be distributed at the end of June.

### Service Retirement Benefit PERS

Senator Vickie Cocchiarella introduced one of this legislative session's most closely watched bills, SB 306. Under the provisions of this bill, which becomes effective July 1, 2001, once a PERS member completes 25 years of membership service, the amount of their potential retirement benefit changes from 1.785 percent to 2 percent of Highest Average Compensation (HAC) for every year of service – prior to any applicable early retirement reduction. This change means that a member who retires with 30 years of service would receive a monthly benefit equal to 60 percent of their HAC, an increase from the previous retirement benefit of 53.57 percent. (Note: One-for-five service purchases do **not** count as membership service.)

Requirements for a normal service retirement were **NOT** changed by SB 306. To retire with a non-reduced benefit, a member must (1) reach age 60 with a minimum of 5 years of membership service, or (2) have 30 years of membership service. If you have 25 years of membership service but do not meet one of these requirements, your retirement will be calculated using 2 percent of HAC, but will be actuarially reduced by the early retirement factor (ERF). This legislation did **not** change the ERF requirements.

Further, there is no limit on the amount of a potential retirement benefit you may receive. Under Option 1, a member with 30 years of service would receive a benefit which is 60 percent of the HAC; with 32 years of service, the benefit under Option 1 would be 64 percent of the HAC. Our top record holder retired with 56 years of service, certainly a record to shoot for!

## From the Board . . .

*by Terry Teichrow, President*

The legislature has come and gone for 2001. We won't know until late this year how the 2001 wine grape harvest will turn out, but for the MPERA, retirees, and those looking forward to retirement, "It was a very good year."

I am happy to share with you some of the reasons for our legislative successes. The successes I refer to are benefit enhancements such as: 3 percent GABA and a 12-month wait period; purchase power adjustments; GWPORS 20-year retirement; HPORS age adjustment; VFCA benefit increase, and numerous other retirement-related bills. The MPERA staff and the board tracked 40 bills and supported 25 bills. We were almost 100 percent on our bills.

One reason for that success was a good working relationship with the SAIC Legislative Committee in the interim of 2000. That committee reviews all we propose and makes recommendations to the full Legislature. We had great support from that committee leading up to the 2001 Legislature. Many thanks can be awarded to the Legislature itself for its support. Many legislators were new, they asked many questions, they were serious and critical, at times they had a few raised eyebrows at the magnitude of our requests, but in the end the votes cast showed strong support for your issues.

Another important reason were the retirement group associations and their representatives who brought their ideas to the MPERA and the Board. Your representatives came to Helena early, they came often, and they were well prepared to work with the MPERA staff in the preparation and presentation of proposed bills. That preparation and the many members, retired and active, who came to the hearings to testify gave the Legislature a good reason to support us this session.

The last part of the overall success was the Board's MPERA staff and our Legislative Lobby Team. They performed a seemingly endless (for 6 months or more) job of preparation, writing, perfecting, teaching legislators, and the ultimate testimony and lobby efforts for your bills. They did some long

hours, they lost accrued vacation time, and they did all this while keeping up with the everyday operation of the MPERA. Keep in mind that they did all of this while moving to a new office. Thank you Mike, Melanie, Kelly, and staff. Now it is time to go to work to implement all that has been created or changed. This is not an easy task. Many, if not most, bills need to be implemented by July 1. Our MPERA staff has a lot to do but they are good, really good, at what they do.

There are many who deserve your thanks. If you have an opportunity to thank your association representatives and those who testified, please do. If you have an opportunity to shake a legislator's hand and say, "thanks," don't hesitate. If you get a chance to thank our staff, in person or by phone, do it for sure. If you did not get everything you wanted from this Legislature, I hope that the above recital will give you direction for 2003. It was a team effort to say the least.

Keep your eyes and ears open for further information on our new defined contribution option. A lot of information will be coming your way in the next 12-month period that is vital to your decision-making process toward retirement. That is a hint to all of you that you don't want to wait until you have 25 years in to start making retirement planning decisions.

For the retirees, have a safe and healthy retirement. For the active employees, have a safe and wonderful career.

### Judy Martz, Governor

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Should any information in this newsletter conflict with statute or rules, the statute or rules will apply.

## GABA - Changes for All Systems

The 2001 Legislature passed three pieces of legislation to enhance the Guaranteed Annual Benefit Adjustment (GABA). This benefit, which increases the retirement benefit each year, first became effective July 1, 1997. These enhancements to the GABA for all retirement systems administered by the MPERA, are summarized below:

### SB 89 Reduces the Waiting Period

The amount of time you must wait before receiving an increase to your benefit, after your retirement, has been reduced from 36 months to 12 months. This legislation was introduced by Senator Mignon Waterman. The GABA increase for the calendar year begins with the January benefit after you have been retired for **12 months**. For example, if you retire July 1, 2001, you will meet the 12-month requirement July 1, 2002. You will receive your first GABA increase beginning with your January 1, 2003, benefit.

### HB 294 Increases the GABA

The GABA is increased from 1.5 percent to 3 percent with legislation sponsored by Representative Dave Lewis. It ensures an increase of 3 percent for the retirement benefit from the previous year. Other events which may increase a retiree's benefit will reduce the increase from the GABA. If other increases exceed 3 percent, then there will be no increase from the GABA. You will receive the 3 percent increase at the end of January, 2002, if you have been retired for 12 months or more prior to January 1, 2002.

### SB 235 Eliminates Title 19 Restrictions

This legislation, introduced by Senator Vicki Cocchiarella, allows a retired member to continue receiving the GABA for their retirement benefit from one system while an active member of another public retirement system. For example, if you retire from the SRS, then return to work and become an active member of the GWPORS, you will continue to receive the yearly GABA on your SRS retirement benefit.

### GABA Election

When the GABA became effective in 1997, all members of the **PERS**, **SRS**, and **GWPORS** automatically

received the GABA. Members of these systems continue to automatically receive the GABA and will enjoy the enhancements passed by the 2001 Legislature. With the 1997 legislation, members of the **JRS**, **HPORS**, **MPORS**, and **FURS** could make a choice to elect GABA or not, depending on which benefit increase they felt would be most effective for them. HB 294, signed into law on March 29, allows for members of these four systems who are not presently covered under the GABA, to file an irrevocable election. The form indicating your choice to elect the GABA or not to elect the GABA must be completed and filed with the MPERA by December 1, 2001. Forms and information will be provided to help you make this decision.

## Increase Hours for Working Retiree PERS

Effective March 16, PERS retirees may return to work in a PERS-covered position for up to 960 hours in a calendar year without a reduction in their retirement benefit. The legislation providing for this change is SB 37, sponsored by Senator Dale Mahlum. The benefit reduction of \$1.00 for each \$1.00 earned, when the following limits are exceeded, remains the same:

**Under age 65** - up to 960 hours PERS-employment without a reduction in retirement benefit.

**Age 65 to 70 1/2** - **either** the 960-hour limit **or** an earning limit, whichever is higher. The earning limit is equal to the member's highest average compensation adjusted for inflation.

**Over age 70 1/2** - no limit.

### Limitations for RIF and RIP Retirees (PERS)

Retirees who waived termination benefits under the State Employee Protection Act due to a Reduction in Force (RIF) or retired under the Retirement Incentive Program (RIP) are subject to special restrictions in addition to those discussed above for working retirees. These retirees may return to work in the same jurisdiction (state agencies and units of the university system) without forfeiting the incentive if they do not exceed 959 hours in a PERS-covered position or 599 hours in a position covered under any of the other public retirement systems.

## Optional Membership Election PERS

Senate Bill 210 was introduced in the 2001 Legislative Session at the request of Senator Mignon Waterman. This bill expanded the Optional Membership Election in PERS for **new** employees of county hospitals or rest homes who are **not** current PERS members.

As with all new legislation, some confusion may occur. This legislation does **not** allow current PERS members employed with a county hospital or rest home to terminate their PERS membership. They must continue to be contributing members of PERS as long as they remain employed.

When the county hospital or rest home hires a new employee who is a **current** PERS member, they must immediately start withholding PERS contributions. MEMBERSHIP IS NOT OPTIONAL for this new employee. A PERS member is anyone either drawing a PERS benefit or currently with funds on deposit with PERS.

When a county hospital or rest home hires a new employee, the eligible employee is provided an irrevocable option for joining PERS or declining PERS membership. If this employee elects to decline, this employee can not become a member of PERS while still employed in that position. Only after a break in service of 30 days or more will the employee be allowed another election to affirmatively elect PERS coverage at that time.

If you are unsure about your standing as a PERS member when you accept employment, a quick phone call to our toll-free number will help ensure that everything is processed correctly.

## Election to Transfer from . . . PERS to GWPORS

Rep. Allen Rome introduced HB 472 which was signed into law on April 30, 2001. When this bill becomes effective on October 1, 2001, employees who are **statutorily eligible** may complete a new election form, selecting to become a member of the GWPORS, rather than remaining a member of the



PERS. All eligible members must make an election prior to December 31, 2001. This election will be irrevocable.

Members of the GWPORS are eligible to receive a monthly benefit upon completion of 20 years of service and reaching 50 years of age. A member with a minimum of five years of service may receive a monthly benefit upon reaching age 55. Members of GWPORS will contribute 10.56 percent of their compensation into their pension system.

Eligible members who elect to switch from PERS into the GWPORS, will have several options regarding their PERS service. (1) They may transfer all of their PERS service into the GWPORS by paying any balance which may be due, based on actuarial rates in effect. (2) They may accept a lesser amount of PERS service to be transferred into the GWPORS, with no or a small out-of-pocket expense to transfer the service. (3) If the member is vested in PERS, they may desire to leave their PERS intact, and they would be eligible to draw two separate monthly benefits upon retirement from their GWPORS position. The members would NOT be eligible to receive a refund of the PERS account while they continue employment in the GWPORS.

In September 2001, informational packets will be provided to statutorily eligible members, to aid in this election process.

### Just a reminder . . .

Request a membership card from your payroll clerk to update the following information if:

You have a name change

Your beneficiary changes due to a change in family circumstances

The goal of the MPERA is to begin mailing personal statements, newsletters, and other important information to your home address. We will be updating our database to include home addresses for all members. Be sure your **payroll clerk** has your most current address.



## Generally Revise Public Retirement Law - for All Systems

Each legislative session, the Board submits proposed amendments to revise the statutes for the public retirement systems it administers. The 2001 housekeeping and general revisions bill, HB 152, was sponsored by Representative Dave Gallik. Interpretation of state and federal law and court decisions require constant changes in our public retirement systems. The legislation refines the retirement systems, improves member benefits, and makes the law easier to understand. Most of the amendments in this legislation change the language and terminology, clarify definitions, use terms with more precision and consistency, and simplify administration of the retirement systems. Some of the changes to improve benefits for specific systems are summarized below:

- ? **PERS** members who accept positions in SRS may remain in PERS or elect SRS at any time prior to retirement.
- ? **MPORS** members who, following a city-county consolidation, fill a position in the SRS can remain in the MPORS or elect to join SRS within 30 days.
- ? Eliminates the limitation on the benefit for **GWPORS** members who die in the line of duty with more than 25 years of service. The benefit is 2.5% of the highest average compensation for each year of service. It is no longer capped at 50%.
- ? Part-paid firefighters must elect to join the **FURS** within 6 months of employment. A part-paid firefighter currently employed in a FURS-covered position must make this election by September 21, 2001, which is six months from the effective date of this section of the legislation.
- ? Permits payment of a lump sum of survivor benefits, at the request of a **VFCA** member beneficiary, rather than 40 monthly survivor benefits.

### Further Information . . .

If you want more information on any legislation, you can contact our office. Or, use the Legislature's web site at: <http://leg.state.mt.us/services/index.htm>

## Purchasing Power Adjustment . . . for PERS and MPORS Retirees

### PERS:

House Bill 294, sponsored by Representative Dave Lewis, provides for a purchasing power adjustment for **some** retirees of the PERS. It grants an adjustment to provide a PERS retiree 75% of their benefit's original purchasing power. This legislation will affect only those who retired prior to 1982 and the increase will be included in the benefit payment at the end of July. It is estimated approximately 2,700 retirees are impacted. Retirees receiving this adjustment to their retirement benefit will be notified in July of the increase to their monthly retirement benefit.

### MPORS:

The 2001 Legislature passed HB 491, sponsored by Representative Joe Tropila. This legislation benefits the retired members of the MPORS who did not elect the Guaranteed Annual Benefit Adjustment (GABA) provision. The benefit increase will bring individuals up to 75% of the "purchasing power" of their initial retirement benefit. The increase was included in the May retirement benefit that was disbursed May 31, 2001.

## Eligibility for Service Retirement HPORS

Senate Bill 228, sponsored by Senator Pete Ekgren, revises the eligibility for full service retirement for HPORS members. This legislation is effective immediately. **All** members of the HPORS are now eligible to retire after completing 20 years or more of membership service, regardless of age.

The basic formula for this monthly service retirement benefit is:

*Years of Service Credit x 2.5% x Highest Average Compensation (HAC)*

Example: If you retire at age 45 with 20 years of service credit and your highest average compensation is \$3,000 per month, your HPORS monthly benefit would be calculated as follows:

$$20 \text{ years} \times 2.5\% \times \$3,000 = \$1,500 \text{ per month.}$$

## Increase in Benefit Factor GWPORS

**H**ouse Bill 74, sponsored by Representative Edith Clark, is effective October 1, 2001. This legislation increases the factor used to calculate the service retirement benefit for the GWPORS system from 2 percent to 2.5 percent. You are eligible for a service retirement benefit if you have 20 years of membership service and are at least 50 years of age. The retirement benefit increase will now be equal to 2.5 percent of your highest average compensation (HAC) for each year of service credit. For example, if you retire at age 55 with 20 years of service credit and a HAC of \$3,000 per month, your monthly retirement benefit will be calculated as follows:

$$20 \times 2.5\% \times \$3,000 = \$1,500 \text{ per month}$$

This legislation also changes the member's contribution to the pension trust fund to 10.56 percent, effective October 1, 2001. The increase in the contribution rate will pay for the increased retirement benefit and enhancements to the Guaranteed Annual Benefit Adjustment (GABA). For more information on the GABA legislation, see the article on page 3.

## System Enhancements for . . . JRS

Two pieces of legislation provide system enhancements for active and inactive vested members of the JRS. The changes to the law summarized below are effective immediately.

### Normal Retirement Age:

SB 370, sponsored by Senator Mike Halligan, changes the normal retirement age for judges and justices. The eligibility for service retirement is changed from 65 years of age to 60. This means an active member, if vested (five years of membership service), and at least age 60 years of age, may terminate and apply for monthly retirement benefits.

### Call of a Retired Judge:

HB 176, sponsored by Representative Larry Jent, changes the law for the call of a retired judge. Prior to the passage of this legislation, retired judges and justices receiving a monthly retirement benefit, who voluntarily retired with 8 or more years of service,

could be called to duty. With the change to this section of the law, such judges need not be receiving a retirement benefit to be called for duty. The law specifies that these judges and justices may be called for duty by the chief justice to serve any district court or water court.

### Compensation:

The new legislation provides for an inactive vested judge or justice called to duty, who is not eligible to receive a monthly retirement benefit because of age, to receive the daily salary of the position being filled. They will receive this compensation regardless of the number of days served in a calendar year. Retired judges or justices receiving a monthly retirement benefit, will receive the daily salary of the position being filled for the first 180 days in a calendar year. For each day of duty, after 180 days in a calendar year, they are paid one-twentieth of the monthly salary for the position being filled minus an amount equal to one-twentieth of the monthly retirement benefit being received.

## DROP Plan Established for MPORS

**NEW!**

**H**ouse Bill 452, introduced by Representative James Whitaker, establishes a Deferred Retirement Option Plan (DROP) for members of the MPORS. When implemented, the DROP plan will provide a lump sum payment to a member after retirement. Essentially, a member chooses to participate in the DROP, but continues to work, and contribute to the MPORS. However, the member's retirement benefit accumulates in the DROP and, at the end of the DROP period, the member is paid the money in the DROP. The plan must comply with IRS regulations and **the Board must receive a favorable ruling from the IRS before implementing the DROP.**

### Who can participate in the DROP?

A MPORS member must be eligible to retire to be eligible for the DROP. Participation in the DROP is voluntary, but once a member chooses to participate, the choice is irrevocable. A member may only par-

participate in the DROP once and may choose a DROP period from one month to five years.

### How are the DROP benefits calculated?

The Board will calculate a DROP benefit equal to the member's monthly retirement benefit and put that amount in the member's DROP each month. The DROP benefit will include any postretirement adjustments that would apply to the retirement benefit. While participating in the DROP, a member will not receive membership or service credit. All regular employee, employer, and state contributions must still be paid to the MPORS. If a member dies before the end of the DROP period, then the member's survivors or beneficiaries will be eligible to receive payment from the DROP. If a member in the DROP becomes disabled during the DROP period,

the monthly retirement benefit and the DROP will be paid to the member.

### How is the DROP payment made?

A member may choose to receive payment from the DROP in several ways. The member may receive the DROP as a lump sum or as a rollover into another qualified plan. The DROP payment must include interest at a rate reflecting the retirement system's annual investment earnings. A member may also continue employment after the DROP period. However, the DROP may not be paid to the member until actual retirement, and no additional payments may be made to the DROP. The retirement benefit earned after the DROP period will be calculated separately and added to the benefit calculated at the beginning of the DROP period.

## Legislation for the Defined Contribution Plan - PERS

On July 1, 2002, a new retirement plan option, the Defined Contribution (DC) plan will be available for all *active* PERS members. Extensive education for all PERS members will be conducted prior to that date. The following legislation pertains to the DC plan.

### Disability Benefit

House Bill 63, introduced by Representative Tom Dell, creates a long-term disability benefit for PERS members who become disabled after electing to participate in the Defined Contribution plan (DC plan). The member must be found by the Public Employees' Retirement Board to be disabled, and must have at least five (5) years membership service.

The disability benefit will be equal to the benefit the same member would have received had the member remained in the Defined Benefit plan (DB plan). The formula used for calculating the benefit under either plan will be  $\frac{1}{56}$  (1.786%) x Highest Average Compensation x Years of Service. Passage of SB 306, discussed on page 1, increases the benefit to  $\frac{1}{50}$  (2.0%) x Highest Average Compensation x Years of Service for members with at least 25 years of membership service.

Upon reaching the age of 60, the DC member's disability benefit will cease and the disabled member

will become entitled to the member's DC account. If the member dies before reaching 60 years of age, the member's disability benefit ceases and the member's beneficiary is entitled to the member's DC account.

### General Revisions

House Bill 116, sponsored by Douglas Mood, was passed to clarify our DC Plan statutes and to ensure compliance with IRS regulations. Most of the changes will not be apparent to members because the changes affect the internal management of the plan. Many of the changes were designed to conform DC statutes with DB statutes. Some examples include the distribution of members' accounts after they quit, and defining "member" the same in both plans. Other changes are specific to the DC plan such as allocating employer contributions, allowing the Board to select investments without competitive bid, and requiring members to follow a similar election process to join either the DC plan or the University Optional Retirement Program. A couple of the changes will be more apparent. The Family Law Order and Support Order statutes were amended to allow the Board to implement these orders in the DC plan. The quorum for the Board was changed from three to four. The last legislature had added a seventh Board member for the DC plan, but didn't change the quorum.

## Mission Accomplished!

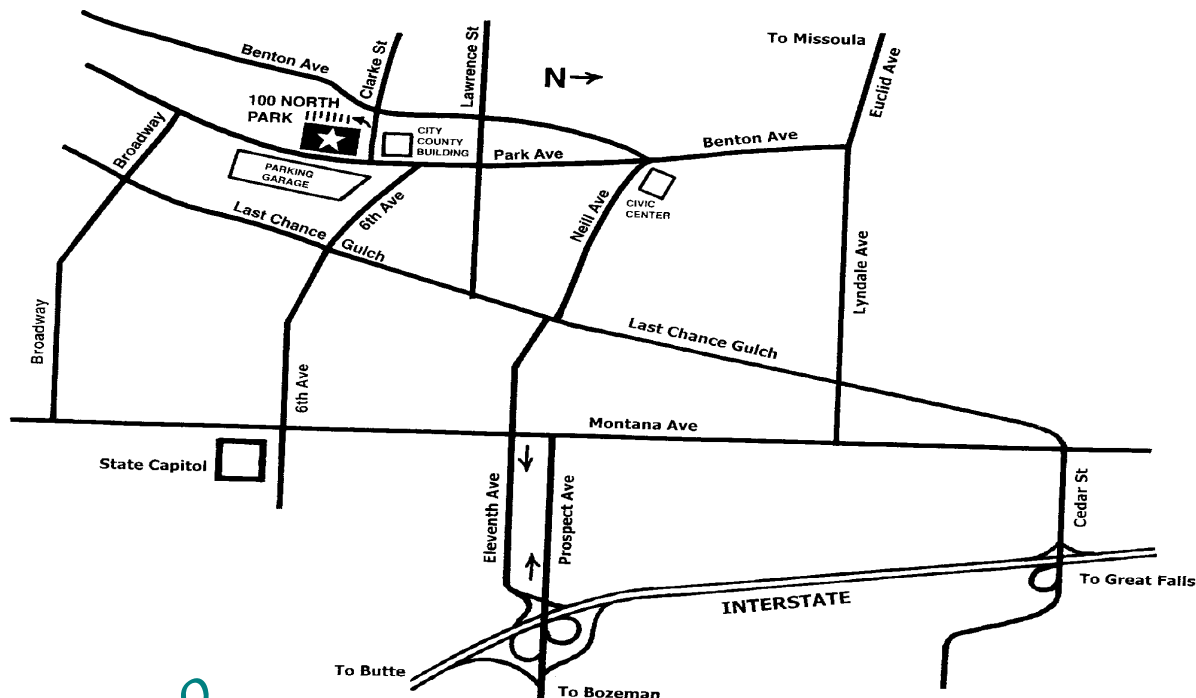
As you may have heard, our office has moved! The move took place the week of April 9 - 13. Thanks to the foresight of our Director to initiate the move; to our Deputy Executive Director who directed all aspects of the move; and, last but not least, the MPERA staff for their continuing support and hard work, the move was accomplished with very few complications and minimal interruption for service to our members.

We are still in the process of getting 'settled' and making the transition. It may take some time to get used to all the changes that are taking place for both our staff and members. **It would be most helpful for staff if you would make an appointment in advance when you are planning to visit our office.** Please call our receptionist toll free at 1-877-275-7372, or in Helena, call 444-3154 to schedule your appointment.

Below is a map of downtown Helena, showing our new location at:

**100 North Park Avenue, Suite 220**

Visitor parking is designated in the upper level parking lot on the West side of the building.



Questions?

The MPERA welcomes the opportunity to serve our members.

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